

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA  
(FORMERLY THE COMMUNITY FOUNDATION OF GREATER GRANDE PRAIRIE)**

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FOR THE YEAR ENDED DECEMBER 31, 2014**

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## INDEPENDENT AUDITOR'S REPORT

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**To: The Directors of  
The Community Foundation of Northwestern Alberta**

We have audited the accompanying financial statements of The Community Foundation of Northwestern Alberta, which comprise the statement of financial position as at December 31, 2014, and the statements of operations, changes in fund balances, and cash flows for the for the year then ended, as well as a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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**INDEPENDENT AUDITOR'S REPORT, continued**

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*Basis for Qualified Opinion*

As is common with many not-for-profit organizations, the Foundation derives some revenue from cash donations, the completeness of which is not determinable through audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded by the Foundation. We were not able to determine whether any adjustments may have been necessary to contributions, revenues, expenditures, current assets, and net assets.

*Qualified Opinion*

Except as noted in the above paragraph, in our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2014 and the results of and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**CALGARY, ALBERTA  
MARCH 27, 2015**

*Catalyst LLP*  
**ACCOUNTANTS**

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2014**

	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 17,239	\$ 18,686
Unrestricted portfolio investments (Note 3)	354,349	316,196
Accounts receivable	18,316	5,320
Prepaid expenses	545	545
	390,449	340,747
<b>Restricted portfolio investments (Note 3)</b>	5,970,078	5,460,723
<b>Capital assets (Note 4)</b>	329	417
	<b>\$ 6,360,856</b>	<b>\$ 5,801,887</b>
<b>Liabilities and fund balances</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 12,163	\$ 11,993
Unearned revenue	24,073	10,118
	36,236	22,111
<b>Fund balances (Note 5)</b>	6,324,620	5,779,776
	<b>\$ 6,360,856</b>	<b>\$ 5,801,887</b>

Approved on behalf of the Board

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Operating Fund	Flow through Fund	Endowment Fund	2014 Total	2013 Total
<b>Revenues (Schedule 1)</b>	\$ 447,682	\$ 34,653	\$ 558,257	\$ 1,040,592	\$ 1,482,918
<b>Direct expenditures</b>					
Gala	70,611	-	-	70,611	48,598
Community leadership program	12,016	-	-	12,016	50,632
	82,627	-	-	82,627	99,230
<b>Administrative and operating expenditures (Schedule 2)</b>	331,427	23,266	89,977	444,670	404,595
<b>Grants to agencies</b>	-	19,850	97,975	117,825	71,575
	331,427	43,116	187,952	562,495	476,170
<b>Other income (expenditures)</b>					
Unrealized gain (loss) on portfolio investments	-	(94)	(188)	(282)	238,595
Unrealized foreign exchange gain	-	-	149,656	149,656	42,646
	-	(94)	149,468	149,374	281,241
<b>Excess (deficiency) of revenues over expenditures</b>	33,628	(8,557)	519,773	544,844	1,188,759
<b>Fund balances, beginning of year</b>	323,561	1,184,887	4,271,328	5,779,776	4,591,017
<b>Fund balances, end of year</b>	\$ 357,189	\$ 1,176,330	\$ 4,791,101	\$ 6,324,620	\$ 5,779,776

The accompanying notes are an integral part of these financial statements

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>		
Excess of revenues over expenditures for the year	\$ 544,844	\$ 1,188,759
Adjustments for		
Amortization	88	117
Unrealized (gain) loss on portfolio investments	282	(238,595)
Unrealized foreign exchange (gain)	(149,656)	(42,646)
	395,558	907,635
Change in non-cash working capital items		
Accounts receivable	(12,996)	1,724
Accounts payable and accrued liabilities	170	197
Unearned revenue	13,955	3,993
	396,687	913,549
<b>Cash flows from investing activities</b>		
Purchase of restricted portfolio investments	(359,982)	(907,594)
Purchase of unrestricted portfolio investments	(38,152)	-
	(398,134)	(907,594)
<b>Increase (decrease) in cash</b>	(1,447)	5,955
<b>Cash, beginning of year</b>	18,686	12,731
<b>Cash, end of year</b>	\$ 17,239	\$ 18,686

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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**1. Purpose and nature of the Foundation**

The Community Foundation of Northwestern Alberta ("the Foundation") serves the people of the Peace Country Region by building endowments and flexible donor services: to benefit other registered charities within the community, to help donors reach their charitable goals, to provide a wide range of grants within the community to meet short term and long term priorities, and to provide leadership in building a stronger, caring community.

The Foundation is incorporated as a registered Canadian charitable organization as defined by the Income Tax Act (Canada). The Foundation is a not-for-profit organization and as such is not subject to income tax.

The name of the Foundation was changed from The Community Foundation of Greater Grande Prairie to The Community Foundation of Northwestern Alberta effective April 1st, 2013.

**2. Significant accounting policies**

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

**(a) Fund accounting**

The Foundation follows the restricted fund method of accounting for contributions. Restricted fund accounting requires separate disclosure of net assets attributable to internal or external restrictions.

The purpose of the operating fund is to fund budgeted administrative costs with unrestricted donations and donations for specified costs. The operating fund is unrestricted and internally restricted. Unrestricted net assets can be used at the discretion of the Foundation's management, under the direction of the Board of Directors.

Endowment funds represent amounts donated to the Foundation for which the capital is intended to be preserved. Grants are made for designated purposes from the investment income earned. Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained for specifically defined purposes. Investment income earned from endowment funds are utilized within the fund where it was earned.

Flow through funds represent amounts invested in trust with the Foundation and are not intended to be held as endowment funds. These funds are distributed to a designated charitable organization or used for other special purposes as requested by the donor.

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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**2. Significant accounting policies, continued**

**(b) Capital assets**

Capital assets are recorded at cost. The Foundation provides for amortization using the declining balance method at rates designed to amortize the cost of the capital assets over their estimated useful lives. One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The annual amortization rates are as follows:

Furniture and fixtures	20%
Computer equipment	55%

**(c) Unearned revenue**

Unearned revenue represents donations received in advance, intended for use in the subsequent fiscal year.

**(d) Revenue recognition**

Restricted and unrestricted contributions, donations, and gala revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Dividend income, interest income, changes in cash surrender value of life insurance, and gains and losses on disposition of portfolio investments are recorded in investment income when earned.

Administrative fees, royalties, and government grants are recognized as earned.

**(e) Contributed services**

Volunteers contributed time to assist the Foundation in carrying out various programs. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

**(f) Foreign exchange**

The Foundation uses the temporal method to translate its foreign currency transactions.

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated at the rate in effect on the transaction date. Balances for the current year appearing in the statement of operations are translated at average year rates. Exchange gains and losses are included in the statement of operations.

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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**2. Significant accounting policies, continued**

**(g) Measurement uncertainty**

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary they are reported in income in the period in which they become known.

**(h) Financial instruments**

**(i) Measurement of financial instruments**

The Foundation initially measures its financial assets and liabilities at fair value.

The Foundation subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at cost include cash and accounts receivable.

Financial liabilities measured at cost include accounts payable and accrued liabilities.

Financial assets measured at fair value include unrestricted and restricted portfolio investments.

**(ii) Impairment**

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

**(iii) Transaction costs**

The entity recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**3. Restricted portfolio investments**

	<b>2014</b>	<b>2013</b>
Fixed income	\$ 3,163,931	\$ 2,651,043
Canadian equity	1,175,948	1,998,459
US equity	962,103	500,882
Cash	501,367	344,563
International equity	412,108	187,101
Cash surrender value of life insurance	108,970	94,871
	6,324,427	5,776,919
Unrestricted (operating fund) investments	(354,349)	(316,196)
	<b>\$ 5,970,078</b>	<b>\$ 5,460,723</b>

Fixed income investments include financial instruments with an interest rate between 1.6% and 4.7%.

**4. Capital assets**

	<b>2014</b>		<b>2013</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Furniture and fixtures	\$ 4,119	\$ 3,796	\$ 323	\$ 404
Computer equipment	2,143	2,137	6	13
	<b>\$ 6,262</b>	<b>\$ 5,933</b>	<b>\$ 329</b>	<b>\$ 417</b>

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**5. Endowment and fund accounts**

Endowment funds are comprised of permanent contributions and attributed cumulative net growth. They are administered in accordance with the objectives established by the donor. Non-endowment funds, comprised of externally restricted, internally restricted, and unrestricted contributions and attributed cumulative net growth, are not required to be maintained in perpetuity. Restrictions relating to the distributions from endowment and non-endowment funds are described below.

	<b>Non- endowment Funds</b>	<b>Endowment funds - Restricted</b>	<b>2014</b>	<b>2013</b>
Operating - Unrestricted	\$ 107,190	\$ -	\$ 107,190	\$ 73,561
Operating - Internally restricted	250,000	-	250,000	250,000
Flow through - Restricted	1,176,329	-	1,176,329	1,184,887
Community and undesignated	-	1,834,924	1,834,924	1,729,352
Designated	-	295,391	295,391	204,810
Donor advised	-	1,143,628	1,143,628	1,118,198
Field of interest	-	392,915	392,915	311,933
Student awards	-	993,398	993,398	802,476
Charitable organization	-	130,845	130,845	104,559
	<b>\$ 1,533,519</b>	<b>\$ 4,791,101</b>	<b>\$ 6,324,620</b>	<b>\$ 5,779,776</b>

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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**5. Endowment and fund accounts, continued**

The foundation offers donors flexibility to select where their donation is directed by the different fund options.

(a) Operating

Donors indicate they wish to support the operations of the Foundation. The Foundation is entitled to charge administration fees based on the preceding quarterly average market valuation of the Foundation's endowment and flow through funds, according to donor agreements. The Foundation fees, less related expenses may be drawn by the Foundation from the income of the fund and transferred to the operating fund to be used for operating purposes.

The Board of Directors has internally restricted funds within the operating fund as a contingency for funding future operational expenditures as required.

(b) Charitable organization funds

Funds are established by charitable organizations to provide them with a sustainable source of long-term funding.

(c) Community impact funds

Donors establish endowment funds that are pooled to address emerging and pressing needs of the community. Disbursements are made in accordance to the Foundation's general distribution policies and guidelines primarily in response to the needs.

(d) Designated funds

Donors indicate the specific charity or charities to receive support.

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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**5. Endowment and fund accounts, continued**

(e) Donor-advised funds

Funds enable donors to be actively involved in recommending grant recipients on an annual basis.

(f) Field of interest funds

Funds that are dedicated to a general charitable area of interest as identified by the donor.

(g) Student awards

Funds supporting post-secondary student education and training opportunities.

(h) Flow through

Donors designate their gifts as being non-endowed and request the gift to be distributed to a specific charity or purpose.

When designating gifts to an endowment fund, donors may direct a percentage of their fund to the community fund and/or the operations of the Foundation. Transfers between funds are accepted by the fund holders and approved by the Board of Directors.

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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**6. Charitable Fundraising Act of Alberta**

As required under Section 7(2) of the Regulations of the Charitable Fund raising Act of Alberta, the Foundation discloses that the services costs incurred for the purposes of soliciting contributions were nil (2013 - nil). The total amount paid as remuneration to employees whose principal duties involve fundraising was nil (2013 - nil).

No single disposition of contributions equalled or exceeded 10% of the gross contributions for the 12 month period ended December 31, 2014 (2013 - No single disposition of contributions equalled or exceeded 10% of the gross contributions).

**7. Financial instruments**

The Foundation is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the Company's exposure to these risks.

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation is exposed to currency risk within the international investment account holdings. US investment holdings for 2014 is \$962,103 (2013 - \$500,882) and International investment holdings for 2014 is \$412,108 (2013 - \$187,101). These accounts are comprised of cash and common shares. The Foundation does not use derivative financial instruments to reduce its exposure to currency risk.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk on its fixed income instruments within the portfolio investment account. Fixed-rate financial instruments subject the Foundation to a fair value risk.

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to other price risk through its restricted/unrestricted portfolio investments invested in equity securities traded in an active market.

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**SCHEDULES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Operating Fund	Flow through Fund	Endowment Fund	2014 Total	2013 Total
<b>Schedule 1 - Revenues</b>					
<b>Revenues</b>					
Donations	\$ 26,676	\$ 6,500	\$ 414,749	\$ 447,925	\$ 951,284
Gala	209,363	-	-	209,363	156,695
Administration fees	113,243	-	-	113,243	90,274
Dividend income	-	-	87,744	87,744	52,140
Interest income	4,555	28,153	41,665	74,373	67,058
Corporate leaders program	66,000	-	-	66,000	71,000
Community leadership grants	16,383	-	-	16,383	50,632
Increase in life insurance surrender value	-	-	14,099	14,099	13,192
Royalties	11,462	-	-	11,462	776
Administrative grant	-	-	-	-	20,867
Frost Moon Festival	-	-	-	-	9,000
	<b>\$ 447,682</b>	<b>\$ 34,653</b>	<b>\$ 558,257</b>	<b>\$ 1,040,592</b>	<b>\$ 1,482,918</b>

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**SCHEDULES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Operating Fund	Flow through Fund	Endowment Fund	2014 Total	2013 Total
<b>Schedule 2 – Administrative and operating expenditures</b>					
<b>Administrative and operating expenditures</b>					
Wages and benefits	\$ 233,804	\$ -	\$ -	\$ 233,804	\$ 198,082
Administration fees	-	23,266	89,977	113,243	91,114
Professional fees	30,094	-	-	30,094	31,392
Office	28,882	-	-	28,882	26,252
Advertising and promotion	10,782	-	-	10,782	20,238
Random acts of kindness	5,244	-	-	5,244	8,192
Power of Community	5,205	-	-	5,205	6,062
Common area	4,651	-	-	4,651	4,651
Memberships	3,560	-	-	3,560	3,330
Travel and conferences	2,988	-	-	2,988	2,216
Insurance	2,765	-	-	2,765	2,763
Telephone	2,054	-	-	2,054	1,107
Interest and bank charges	1,310	-	-	1,310	79
Frost Moon Festival	-	-	-	-	9,000
Amortization	88	-	-	88	117
<b>Total administrative and operating expenditures</b>	<b>\$ 331,427</b>	<b>\$ 23,266</b>	<b>\$ 89,977</b>	<b>\$ 444,670</b>	<b>\$ 404,595</b>